



Consolidated Financial Report of the United States Government
Requirements: Implementing Statement of Federal Financial
Accounting Concepts 4 "Intended Audience and Qualitative
Characteristics for the Consolidated Financial Report of the
United States Government"

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by March 1, 2006

October 27, 2005

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Federal Accounting Standards Advisory Board (FASAB or "the Board") was established by the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General in October 1990. It is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standard is published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB:

- "Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."*
- "Mission Statement: Federal Accounting Standards Advisory Board."*

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October 27, 2005

TO: HEADS OF FEDERAL AGENCIES AND ALL OTHERS WHO USE, PREPARE, AND AUDIT
FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, *Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government."*

Specific questions for your consideration appear on page 6 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by March 1, 2006.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to comesw@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Comes, Executive Director
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The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

David Mosso
Chairman

Executive Summary

What is the Board proposing?

This proposed standard amends previously issued standards to specify disclosure requirements appropriate for the Consolidated Financial Report of the United States Government (CFR) based on the guidance contained in Statement of Federal Financial Accounting Concepts 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government* (SFFAC 4).

Why is the Board making this proposal?

Many standards issued prior to the issuance of SFFAC 4 in January 2003 did not give explicit consideration to disclosures appropriate for the CFR. The Board issued SFFAC 4 following annual reviews of the CFR and concerns that the CFR has grown in size and complexity due to a desire to meet the needs of many users.¹ SFFAC 4 identified two primary users for the CFR; the citizen and citizen intermediaries. Further SFFAC 4 provides that “the CFR is a general purpose report that is aggregated from agency reports and tells users where to find information in other formats, both aggregated and disaggregated, such as individual agency reports, agency websites, and the President’s Budget.”²

This proposed standard would enable the preparers of the CFR to “focus on meeting the basic needs of citizens for highly summarized information”³ as intended by SFFAC 4. Therefore, this proposed standard revisits earlier standards and proposes amendments to those standards to tailor disclosure requirements for the CFR based on guidance contained in SFFAC 4. In addition, this proposed standard would result in useful references to agency financial reports for further information as appropriate.

How does this proposal improve Federal financial reporting?

This proposal improves Federal financial reporting by recommending disclosures for the CFR that will enhance the usefulness of the CFR for citizens and citizen intermediaries. SFFAC 4 indicates that citizens and citizen intermediaries are the primary audiences for the CFR. To be accessible to these audiences, the CFR must be concise and include references to other sources of information.

How does this proposal contribute to meeting Federal financial reporting objectives?

This proposed standard enhances the understandability of the CFR enabling readers to better comprehend government-wide operating performance and government-wide stewardship.

¹ SFFAC 4, par. 3-5.

² SFFAC 4, par. 6.

³ SFFAC 5, par.15.

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Request for Comments

1. Do you agree with the proposed disclosure requirements for the Financial Report of the United States Government? If you disagree with the proposed requirements, or know of specific ways in which you believe they can be improved, please provide a thorough analysis with specific examples where possible.
2. One Board member expresses an alternative view beginning at page 17. Do you agree with his view that differences in reporting requirements between the CFR and component entity reports should be limited to unique or unusual reporting issues present in the federal reporting environment, recognizing that, based on materiality, disclosures may be aggregated and in less detail in the CFR?

Introduction

1. Statement of Federal Financial Accounting Standards 24, *Selected Standards for the Consolidated Financial Report of the United States Government* issued in January 2003 clarified that all existing and future standards apply to all federal entities unless a standard specifically provides otherwise.
2. This proposed standard amends standards issued prior to January 2003 to specify disclosure requirements appropriate for the Financial Report of the United States Government (CFR) based on the guidance contained in Statements of Federal Financial Accounting Concepts 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*. (SFFAC 4)
3. Some disclosure requirements contained in previously issued standards have been modified to allow aggregation and reduce detail for government-wide reporting while other disclosure requirements have been eliminated because of excessive detailed information required that is inappropriate for a government-wide report consistent with the guidance contained in SFFAC 4.
4. This proposed standard also contains CFR disclosure requirements for Note 1 Significant Accounting Policies.

Scope

5. This proposed statement provides financial accounting standards for the CFR. It does not change financial accounting standards for agency level reports.

Effective Date

6. This proposed standard is effective for periods beginning after September 30, 2005.

Proposed Accounting Standard

The proposed accounting standard includes amendments to existing standards as well as a presentation of the disclosure requirements that result from the amendments. For purposes of transparency, it is suggested that reviewers of this exposure draft read Appendix B to understand the impacts of the proposals contained in this exposure draft. Appendix B provides a clear understanding of the relationship of the amendments to new requirements for the CFR.

Amendments to Existing Standards

7. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, is amended by inserting in par. 86 the following final sentence – “The U. S. government-wide financial statements need not include this disclosure.”
8. SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, par. 56 is amended by inserting the following final sentence – “The U. S. government-wide financial statements need not include this disclosure.”
9. SFFAS 3, *Accounting for Inventory and Related Property*, is amended as follows:
 - a. The text “The above listed disclosure requirements are not applicable to the U. S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities.” is added following the existing text of these paragraphs: Par. 28, 35, 50, 56, 66, 78, 91, and 109.
 - b. The text “The U.S. government-wide financial statements need not separately report or disclose the difference between the carrying amount of the inventory and its expected net realizable value.” is added to par. 30 as the final sentence.
 - c. The text “The U.S. government-wide financial statements need not separately report or disclose any difference between the carrying amount of the stockpile materials held for sale and their estimated selling price.” is added to par. 55 as the final sentence.
 - d. The text “The U.S. government-wide financial statements are not subject to the disclosure requirements for forfeited property that cannot be sold due to legal restrictions.” is added to par. 71 as the final sentence.
10. SFFAS 5, *Accounting for Liabilities of the Federal Government*, is amended as follows:
 - a. The text “The U.S government-wide financial statements need not follow the required disclosures described below.” is added to par. 117 as the final sentence.

- b. The text “The U.S. government-wide financial statements need not separately report or disclose all components of the liability for future policy benefits with a description of each amount and an explanation of its projected use and any other potential uses.” is added to par. 121 as the final sentence.

11. SFFAS 6, *Accounting for Property, Plant, and Equipment*, is amended as follows:

- a. The text “The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities.” is added following the existing text for par. 45.
- b. The text “The above listed required supplementary information is not applicable to the U.S. government-wide financial statements. SFFAS XX provides for required supplementary information applicable to the U.S. government-wide financial statements for these activities.” is added as a separate bullet following the existing text for par. 83.
- c. The text “The U.S. government-wide financial statements need not separately report stratification between critical and non-critical amounts of maintenance needed to return each major class of asset to its acceptable operating condition as well as management’s definition of these categories. SFFAS XX provides for optional information applicable to the U.S. government-wide financial statements for these activities.” is added to par. 84 as the final sentences.
- d. The text “The U.S. government-wide financial statements need not disclose the sources of cleanup requirements.” is added to par. 107 as the final sentence.
- e. The text “The U.S. government-wide financial statements need not disclose the method for assigning estimated cleanup costs to current operating periods.” is added to par. 108 as the final sentence.
- f. The text “SFFAS XX provides for disclosure requirements for the U.S. government-wide financial statements regarding the unrecognized portion of estimated total cleanup cost associated with general PP&E.” is added to par. 109 as the final sentence.
- g. The text “The U.S. government-wide financial statements need not disclose material changes in total estimated cleanup costs due to changes in laws, technology, plans, or the portion of the change in estimate that relates to prior period operations.” is added to par. 110 as the final sentence.
- h. The text “The U.S. government-wide financial statements need not disclose the nature of estimates and information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.” is added to par. 111 as the final sentence.

12. SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, is amended as follows:

- a. The text "The U.S. government-wide financial statements need not break out gross costs of providing goods, services, benefit payments, or grants that did not earn exchange revenue, separately from those programs that earned exchange revenue." is added to par. 43 as the final sentence.
 - b. The text "The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements." is added following the existing text for par. 46.
 - c. The text "The U.S. government-wide financial statements need not disclose factors affecting collectibility and timing of categories of accounts receivable and the amounts involved." is added to par. 65.1 as the final sentence.
 - d. The text "The U.S. government-wide financial statements need not disclose cumulative cash collections and refunds by tax year and type of tax for the reporting period and for sufficient prior periods to illustrate (1) the historical timing of tax collections and refunds, and (2) any material trends in collection and refund patterns. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements." is added to par. 65.3 as the final sentences.
13. SFFAS 10, *Accounting for Internal Use Software*, par. 35 is amended by inserting the text "The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities." is added following the existing text for par. 35.
14. SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*, is amended as follows:
- a. The text "The U.S. government-wide financial statements need not disclose a reconciliation between the beginning and ending balances of the subsidy cost allowance for the outstanding direct loans and the liability for outstanding loan guarantees reported in the U.S. government-wide financial statements." is added to par. 10 as the final sentence.
 - b. The text "The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities." is added following the existing text for par. 11.

Disclosure Requirements Applicable to the U. S. Government-wide Financial Statements**Inventory**

15. The U.S. government-wide financial statements should include the following disclosures⁴:

- a. broad descriptions of inventory categories;
- b. a general reference to component entity⁵ reports; and
- c. balances for each of the following categories of inventory:

:

- 1) inventory held for current sale,
- 2) inventory held in reserve for future sale,
- 3) excess, obsolete, and unserviceable inventory; and,
- 4) inventory held for repair.

Operating Materials and Supplies

16. The U.S. government-wide financial statements should include the following disclosures:

- a. broad descriptions of operating materials and supplies categories;
- b. a general reference to component entity reports; and,
- c. balances for each of the following categories of operating materials and supplies:

- 1) operating materials and supplies held for use,
- 2) operating materials and supplies held in reserve for future use, and
- 3) excess, obsolete, and unserviceable operating materials and supplies.

Stockpile Materials

17. The U.S. government-wide financial statements should include the following disclosures:

- a. broad descriptions of stockpile material categories;
- b. a general reference to component entity reports; and,
- c. balances for each of the following categories of stockpile materials:
 - 1) stockpile materials; and,
 - 2) stockpile materials held for sale.

⁴ Disclosure is "Reporting information in notes or narrative regarded as an integral part of the basic financial statement."

⁵ The term "component entity" is used to distinguish between the U. S. Federal government and its components. The U. S. Federal government is composed of organizations that manage resources and are responsible for operations, i.e., delivering services. These include major departments and independent agencies, which are generally divided into sub organizations, i.e., smaller organizational units with a wide variety of titles, including bureaus, administrations, agencies, and corporations. (SFFAC No. 2, *Entity and Display*, paragraphs 11-12)

Seized Property

18. The U.S. government-wide financial statements should include the following disclosures:
- a. a broad description of seized property; and,
 - b. a general reference to component entity reports.

Forfeited Property

19. The U.S. government-wide financial statements should include the following disclosures:
- a. a broad description of forfeited property; and,
 - b. a general reference to component entity reports.

Foreclosed Property

20. The U.S. government-wide financial statements should include the following disclosures:
- a. a broad description of foreclosed property; and,
 - b. a general reference to component entity reports.

Commodities

21. The U.S. government-wide financial statements should include the following disclosures:
- a. a broad description of commodities; and,
 - b. a general reference to component entity reports.

Property, Plant, and Equipment

22. The U.S. government-wide financial statements should include the following disclosures:
- a. a broad description of PP&E;
 - b. the cost, associated accumulated depreciation, and book value by major class; and,
 - c. a general reference to component entity reports.

Deferred Maintenance

23. The U.S. government-wide financial statements should include the following required supplementary information:
- a. a broad description of deferred maintenance;
 - b. amounts for each major asset category (i.e., general property, plant, and equipment; heritage assets; and, stewardship land) for which maintenance has been deferred;
 - c. a general reference to component entity reports; and,

- d. optional reporting of the stratification between critical and non-critical amounts of maintenance needed to return each major asset category to its acceptable operating condition.

Cleanup Cost

24. The U.S. government-wide financial statements should include the following disclosures:

- a. a broad description of cleanup cost;
- b. the unrecognized portion of estimated total cleanup costs associated with general PP&E; and,
- c. a general reference to component entity reports.

Taxes

25. The U.S. government-wide financial statements should disclose the cumulative cash collections and refunds by tax year and type of tax for the reporting periods.

Direct Loans and Loan Guarantees

26. The U.S. government-wide financial statements should include the following disclosures:

- a. a broad description of direct loan and loan guarantee programs;
- b. the face value of loans outstanding for direct loan and loan guarantee programs;
- c. the long term cost⁶ of loans and guarantees outstanding for direct loan and loan guarantee programs;
- d. net loans receivable for direct loan programs;
- e. the amount guaranteed by the Government for guaranteed loan programs;
- f. the subsidy expense for the reporting year for direct loan and loan guarantee programs; and,
- g. a general reference to component entity reports.

References to Component entity Reports

27. For each "general reference to component entity reports" required in par. 15 through 26 above, it is required that the preparer indicate, in the relevant note, agencies that are disclosing significant detailed information about the item. Selecting individual agencies to refer readers to requires judgment. The preparer should consider both quantitative and qualitative criteria in selecting such agencies.

⁶ "Long-term cost of direct loans and loan guarantees" is the sum of (1) the subsidy cost allowance for post-1991 direct loans, (2) the liability for post-1991 and pre-1992 loan guarantees, and (3) allowance for uncollectible amounts for post-1991 direct loans and loan guarantees.

Required Note 1 Significant Accounting Policies Disclosures

28. Describe the reporting entity and identify its major components. Summarize the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, and changes in net position. Disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Disclosures of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements.
29. In addition, the summary of significant accounting policies should disclose any significant changes in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. These changes, in effect, result in a new reporting entity, and their impact should be reported by restating the financial statements for all prior periods presented in order to show the new reporting entity for all periods presented.

<p>The provisions of this Statement need not be applied to immaterial items.</p>
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Appendix A: Basis for Conclusions

This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this statement---not the material in this appendix---should govern the accounting for specific transactions, events or conditions.

Background

30. The fiscal year 2003 CFR was discussed by the Board members at the April 2004 FASAB meeting. During the discussion of the FY 2003 CFR, several board members indicated a desire for the CFR to be more accessible to the intended audience identified in SFFAC 4: citizens and citizen intermediaries. The members believed this would require a concise presentation. The member representing Treasury agreed and explained that the current CFR omitted certain required disclosures for a variety of reasons. Had these disclosure requirements been included the FY 2003 CFR it would have been much less accessible. The member noted that earlier FASAB standards made no distinction between component entity disclosure requirements and CFR disclosure requirements and to fully comply with all disclosure requirements would further lengthen the CFR.
31. Members agreed that it would be appropriate to review disclosure requirements established prior to the issuance of SFFAC 4 and tailor CFR disclosure requirements to meet the current concepts. This approach has been adopted for standards developed since SFFAC 4 was issued and the Board indicated a willingness to review past standards if resources were not diverted from ongoing projects. Chairman David Mosso asked Treasury to prepare a list of items it does not consider appropriate to the CFR in light of SFFAC 4.
32. At the October 2004 FASAB meeting, the Board considered a proposal prepared by Treasury's Financial Management Service (FMS). The project proposal included a table of items identified for amendment. Based on Treasury's offer to staff the project, the Board agreed to go forward with the project.

Objectives of the Proposal

33. At the May 4-5, 2005 FASAB meeting, Board members held a general discussion of the issues associated with the project. SFFAC 4 notes that the CFR has grown in size and complexity and some have questioned whether the CFR is trying to satisfy too many audiences with different needs in one format. SFFAC 4 provides that citizens and citizen intermediaries should be the audience to whom the CFR is primarily directed and it is particularly fundamental that the CFR be timely and understandable to the primary audience.

34. FASAB has been diligent in ensuring that its requirements are consistent with the guidance contained in SFFAC 4 since the January 2003 issuance of SFFAS 24. SFFAS 24 clarified that SFFAS's apply to all federal entities unless a current or subsequent standard specifically provides otherwise. Many earlier SFFAS's were issued without considering the need for less detailed disclosures for the CFR.
35. This proposed SFFAS revisits standards issued before January 2003 and amends many of those standards to specify substitute disclosure requirements for the CFR or eliminate certain requirements. In its deliberations the Board assumed that the disclosures being amended were material disclosures but understood that SFFAC 4 was issued to provide guidance in addressing material items since immaterial items are not required to be reported or disclosed by FASAB standards.
36. The basis for the Board's actions with respect to this SFFAS emanates entirely from the need to implement SFFAC 4 and do retroactively what the Board has done prospectively since January 2003. However, the Board has indicated that disclosure requirements eliminated or modified for the CFR should not result in allowing the preparer to exclude significant unusual items needed to explain changes in balances between years.
37. Many proposals included in this exposure draft eliminate or modify disclosure requirements that are useful for assessing operating performance for a particular program within an agency. For example, included proposals would eliminate disclosure of restrictions on the use of foreclosed property and average holding period for foreclosed property. Also, included proposals eliminate disclosure of the gross cost associated with exchange revenue and certain pricing policies. If information relevant to assessing operating performance for individual programs were included in the CFR it would not be concise. A concise CFR will be more appealing and therefore more accessible to citizens and citizen intermediaries. The Board believes that including references to other sources of information appropriately balances the appeal of a concise CFR with the disaggregated information necessary to assess operating performance.
38. In general, the specific changes proposed reduce the level of detail provided regarding specific assets and liabilities. Such disaggregated information is inconsistent with SFFAC 4. For readers seeking additional detail for particular items, the Board proposes to substitute a reference to component entity reports disclosing significant detailed information about the item.
39. Required footnote 1 significant accounting policies disclosures are included in this SFFAS to ensure that the preparer of the CFR informs readers about management's conclusions regarding fair presentation and the basis of such conclusions. Such requirements are intended to address concerns about the sufficiency of disclosures in view of the elimination or modification of disclosures that are required for agency level reporting.

Alternative View

40. Individual members sometimes choose to express an alternative view when they disagree with the Board's majority position on one or more points in a proposed standard. The alternative view would discuss the precise point or points of disagreement with the majority position and the reasons therefore. The ideas, opinions and statements presented in the alternative view are those of the individual member alone. However, the individual member's view may contain general or other statements that may not conflict with the majority position, and in fact may be shared by other members. The material following was prepared by Board member Robert Dacey.
41. I disagree with the proposal to provide lesser disclosure requirements for the Financial Report of the United States Government (CFR) than for its component entities. Differences in reporting between the CFR and other federal entities should be limited to unique or unusual reporting issues present in the federal reporting environment.
42. Traditionally, other accounting standard setters do not differentiate reporting requirements between consolidated and component entities. However, based on materiality, the information presented in consolidated financial statements typically is aggregated and in less detail than in component entity financial statements. All FASAB standards reinforce that the standards need not be applied to immaterial items.
43. Specifically, I believe that certain information that is (1) required in component entity reports, (2) generally consistent with requirements of other accounting standard setters, and (3) material to the FR, should be required to be presented in the CFR. To the extent that it is material, such information (including program information) is useful for assessing performance for the United States government and relates to disclosure of:
- a. the general composition of and the basis for determining values for inventory, operating materials and supplies, and stockpile materials,
 - b. estimated useful lives and depreciation methods for each major class of property, plant, and equipment, and related capitalization thresholds, and
 - c. certain credit reform information for material programs, currently reported in the FR.
- At the same time, I believe that certain other requirements that are proposed to be deleted or modified are likely not material to the CFR.
44. GAO's analysis, provided to the Board, concluded that the incremental disclosures necessary to report the above information and conform with existing FASAB standards would likely be nominal in relation to the current FR (i.e., less than one page).
45. The "Basis for Conclusions" in the ED indicates that the proposed changes are intended to make the CFR concise. ~~if the currently required information was included in the FR, the FR would not be accessible to users. In other words, it would lengthen the FR and make it less appealing to users.~~ However, based on GAO's analysis, I do not believe that the length of the CFR would be noticeably affected either by adopting the proposed standard, which is focused on eliminating requirements that are not currently complied with, or by implementing the existing requirements. Also, requiring users to locate and

read individual entity financial statements to obtain such information would increase burden on users of the CFR and likely result in the information being less easily accessible to users. While I very strongly support the notion that financial information about the federal government as a whole should be presented in a manner that appeals to the broadest range of potential users, there are other means to meet this objective. For example, several agencies annually publish brief summary annual reports, in addition to their annual financial statements, that are intended for broader distribution and are written to be more understandable to a non-financial user. Such a summary annual report for the United States government as a whole would be an effective tool to communicate the federal government's finances to the public, while the CFR would continue to be used by those who desire to obtain more complete disclosure.

Appendix B: Relationship of Amendments to New Requirements

The disclosure items addressed by this statement have either been modified to allow aggregation or rescinded to reduce detail for government-wide reporting consistent with guidance contained in Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government." (SFFAC 4) For purposes of understanding the impacts of the provisions of this statement, this appendix presents the text of amendments to existing standards along with the text of the new requirements applicable to the CFR.

Relationship of Amendments to New Requirements			
See Par.	Text of Amendment to Existing Standards	See Par.	Summary of Changes
7	The reporting entity should disclose the amount of current liabilities not covered by budgetary resources. <u>The U. S. government-wide financial statements need not include this disclosure.</u> (SFFAS 1.86)		No CFR disclosure would be required.
8	Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification. <u>The U. S. government-wide financial statements need not include this disclosure.</u> (SFFAS 2.56)	26 and 27	No CFR disclosure would be required regarding modifications of direct loans or loan guarantees. A general reference to agency reports would be provided.
14a	In a note to the financial statements, reporting entities should display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees reported in the entities' balance sheet. The reconciliation is accomplished by adding to or subtracting from the beginning balance the dollar amounts of the following items: (a) the subsidy expense recognized	27	No reconciliation is required in the CFR. A general reference to agency reports would be provided.

	<p>in the four components as defined in paragraphs 25 through 29 (interest subsidy cost, the default cost, the present value of fees and other collections, and other subsidy costs) for direct or guaranteed loans disbursed during the reporting year, (b) the two types of subsidy re-estimates as defined in paragraph 32 (i.e., the subsidy cost allowance for direct loans and the liability for loan guarantees), and (c) other adjustments. For direct loans, the other adjustments include loan modifications, fees received, loans written off, foreclosed property or other recoveries acquired, and subsidy allowance amortization. For loan guarantees, the other adjustments include loan guarantee modifications, fees received, interest supplements paid, claim payments made to lenders, foreclosed property or other recoveries acquired, and interest accumulated on the loan guarantee liability. The requirement to display reconciliation applies to direct loans and loan guarantees obligated or committed on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations for direct loans and loan guarantees obligated or committed prior to October 1, 1991, in schedules separate from the direct loans and loan guarantees obligated or committed after September 30, 1991. <u>The U.S. government-wide financial statements need not disclose a reconciliation between the beginning and ending balances of the subsidy cost allowance for the outstanding direct loans and the liability for outstanding loan guarantees reported in the U.S. government-wide financial statements.</u> (SFFAS 18.10)</p>		
14b	Disclosure and Discussion Requirements: (A) Reporting entities should provide a description of the characteristics	26, 27, 28 and 29	The CFR should provide: (1) a broad description of direct loan and loan

<p>of programs and disclose for each program: (a) the total amount of direct or guaranteed loans disbursed for the current reporting year and the preceding reporting year, (b) the subsidy expense by components recognized for the direct or guaranteed loans disbursed in those years, and (c) the subsidy re-estimates by components for those years.</p> <p>(B) Reporting entities should also disclose at the program level the subsidy rates for the total subsidy cost and its components for the interest subsidy costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for direct loans and loan guarantees in the current year's budget for the current year's cohorts. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct or guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.</p> <p>(C) Reporting entities should disclose, discuss, and explain events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates. The disclosure and discussion should also include events and changes that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date. Changes in legislation or credit policies include, for example, changes in borrowers'</p>	<p>guarantee programs;</p> <p>(2) the face value of loans outstanding for direct loan and loan guarantee programs;</p> <p>(3) the long term cost of loans (e.g, the subsidy cost allowance for post-1991 direct loans and the allowance for uncollectible amounts for pre-1992 direct loans) and guarantees (e.g, the liability for loan guarantees) outstanding for direct loan and loan guarantee programs;</p> <p>(4) net loans receivable for direct loan programs;</p> <p>(5) amount guaranteed by the Government for guaranteed loan programs;</p> <p>(6) the subsidy expense for the reporting year for direct loan and loan guarantee programs; and,</p> <p>(7) a general reference to agency reports indicating agencies that are disclosing significant detailed information about direct loan and loan guarantee programs.</p> <p>In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.</p>
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	<p>eligibility, the levels of fees or interest rates charged to borrowers, the maturity terms of loans, and the percentage of a private loan that is guaranteed.</p> <p><u>(D) The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities. (SFFAS 18.11)</u></p>		
9	<p>The criteria considered by management in identifying inventory held in reserve for future sale shall be disclosed. Examples of factors to be considered in developing the criteria are (1) all relevant costs associated with holding these items (including the storage and handling costs), (2) the expected replacement cost when needed, (3) the time required to replenish inventory, (4) the potential for deterioration or pilferage; and, (5) the likelihood that a supply of items will be available in the future. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities. (SFFAS 3.28)</u></p> <p>The difference between the carrying amount of the inventory before identification as excess, obsolete, or unserviceable and its net realizable value shall be recognized as a loss (or gain) and either separately reported or disclosed. <u>The U.S. government-wide financial statements need not separately report or disclose the difference between the carrying amount of the inventory and its expected net realizable value. (SFFAS 3.30)</u></p>	15, 27, 28 and 29	<p>The CFR should provide: (1) broad descriptions of inventory categories; (2) a general reference to agency reports that disclose significant detailed information about inventory; and, (3) balances for each of the following categories of inventory – inventory held for current sale, inventory held in reserve for future sale, excess, obsolete and unserviceable inventory, and inventory held for repair.</p> <p>In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.</p>

	Disclosures of (1) general composition of inventory; (2) basis for determining inventory values including the valuation method and any cost flow assumptions; (3) changes from prior year's accounting methods if any; (4) balances for each of the following categories of inventory – inventory held for current sale, inventory held in reserve for future sale, excess, obsolete and unserviceable inventory, and inventory held for repair unless otherwise presented on the financial statements; (5) restrictions on the sale of material; (6) the decision criteria for identifying the category to which inventory is assigned; and, (7) changes in the criteria for identifying the category to which inventory is assigned. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities.</u> (SFFAS 3.35)		
9	Disclosures of: (1) general composition of operating materials and supplies; (2) basis for determining operating materials and supplies values (including valuation method and any cost flow assumptions); (3) changes from prior year's accounting methods, if any; (4) balances for operating materials and supplies held for use, operating materials and supplies held in reserve for future use, and excess, obsolete and unserviceable operating materials and supplies; (5) restrictions on the use of material; (6) decision criteria for identifying the category to which operating materials and supplies are assigned; and, (7) changes in the criteria for identifying the category to which operating materials and supplies are assigned. <u>The above</u>	16, 27, 28 and 29	The CFR should provide: (1) broad descriptions of operating materials and supplies categories; (2) a general reference to agency reports that disclose significant detailed information about operating materials and supplies; and, (3) balances for each of the following categories of operating materials and supplies – operating materials and supplies held for use, operating materials and supplies held in reserve for future use, and excess, obsolete and unserviceable operating materials and supplies. In addition, the CFR should disclose significant

	<u>listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities. (SFFAS 3.50)</u>		accounting principles used and the methods of applying those principles.
9	<p>For stockpile materials held for sale, any difference between the carrying amount and their estimated selling price shall be disclosed. <u>The U.S. government-wide financial statements need not separately report or disclose any difference between the carrying amount of the stockpile materials held for sale and their estimated selling price. (SFFAS 3.55)</u></p> <p>Disclosures of: (1) general composition of stockpile materials; (2) basis for valuing stockpile materials including valuation method and any cost flow assumptions; (3) changes from prior year's accounting methods if any; (4) restrictions on the use of materials; (5) balances for stockpile materials and stockpile materials held for sale; (6) decision criteria for categorizing stockpile materials as held for sale; and, (7) changes in criteria for categorizing stockpile materials as held for sale. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities. (SFFAS 3.56)</u></p>	17, 27, 28 and 29	<p>The CFR should provide: (1) broad descriptions of stockpile material categories; (2) a general reference to agency reports that disclose significant detailed information about stockpile materials; and, (3) balances for each of the following categories of stockpile materials – stockpile materials and stockpile materials held for sale.</p> <p>In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.</p>
9	Disclosures about seized property: (1) explanation of what constitutes a seizure and a general description of the composition of seized property; (2) method(s) of valuing seizures; (3) changes from prior year's accounting methods if any; (4) analysis of change in seized property	18, 27, 28 and 29	The CFR should provide a broad description of seized property and a general reference to agency reports that disclose significant detailed information about seized property.

	including the dollar value and number of seized properties that are (a) on hand at the beginning of the year, (b) seized during the year, (c) disposed of during the year, and (d) on hand at the end of the year as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S government-wide financial statements for these activities.</u> (SFFAS 3.66)		
9	<p>Forfeited property that cannot be sold due to legal restrictions but which may be either donated or destroyed shall be subject to the disclosure requirements described below (see paragraph 78). However, no financial value shall be recognized for these items. <u>The U.S. government-wide financial statements are not subject to the disclosure requirements for forfeited property that cannot be sold due to legal restrictions.</u> (SFFAS 3.71)</p> <p>Disclosures for forfeited property: (1) composition of forfeited property; (2) method(s) of valuing forfeited property; (3) restrictions on use or disposition of forfeited property; (4) changes from prior year's accounting method if any; (5) analysis of change in forfeited property providing the dollar value and number of forfeitures that (a) are on hand at the beginning of the year, (b) are made during the year, (c) are disposed of during the year and the method of disposition, and (d) are on hand at the end of the year (This information would be presented by type of property forfeited where material.); (6) if available an estimate of</p>	19, 27, 28 and 29	The CFR should provide a broad description of forfeited property and a general reference to agency reports that disclose significant detailed information about forfeited property.

	the value of property or funds to be distributed to federal state and local agencies in future reporting periods. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S government-wide financial statements for these activities.</u> (SFFAS 3.78)		
9	Disclosures when the government acquires foreclosed assets in full or partial settlement of a direct or guaranteed loan: (1) valuation basis used for foreclosed property, (2) changes from prior year's accounting methods, if any, (3) restrictions on the use/disposal of the property, (4) balances in the categories described above (i.e., pre-1992 foreclosed property and post-1991 foreclosed property), (5) number of properties held and average holding period by type or category, (6) number of properties for which foreclosure proceedings are in process at the end of the period. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S government-wide financial statements for these activities.</u> (SFFAS 3.91)	20, 27, 28 and 29	The CFR should provide a broad description of foreclosed property and a general reference to agency reports that disclose significant detailed information about foreclosed property.
9	Disclosures for goods held under price support and stabilization programs (commodities): (1) basis for valuing commodities including the valuation method and any cost flow assumptions; (2) changes from prior year's accounting method if any; (3) restrictions on the use, disposal, or sale of commodities; (4) an analysis of change in the dollar value and volume of commodities, including those (a) on hand at the beginning of the year, (b) acquired during the year, (c) disposed of during the year	21, 27, 28 and 29	The CFR should provide a broad description of commodities and a general reference to agency reports that disclose significant detailed information about commodities.

	by method of disposition, (d) on hand at the end of the year, (e) on hand at year's end and estimated to be donated or transferred during the coming period, and (f) that may be received as a result of surrender of collateral related to non-recourse loans outstanding. The analysis should also show the dollar value and volume of purchase agreement commitments. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities.</u> (SFFAS 3.109)		
10	<u>The U.S. government-wide financial statements need not follow the required disclosures described below.</u> Disclosures required by applicable private sector standards: FASB SFAS 60 Accounting and Reporting by Insurance Enterprises, FASB SFAS 97 Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, and FASB SFAS 120 Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts and AICPA Statement of Position (SOP) 95-1 Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises. (SFFAS 5.117)		No CFR disclosure would be required.
10	Additional whole life insurance disclosure required by FASAB: All components of the liability for future policy benefits (i.e., the net level premium reserve for death and endowment policy and the liability for terminal dividends) should be separately disclosed in a footnote with a description of each amount and an explanation of its		No CFR disclosure would be required.

	projected use and any other potential uses (e.g., reducing premiums, determining and declaring dividends available, and/or reducing federal support in the form of appropriations related to administrative cost or subsidies). <u>The U.S. government-wide financial statements need not separately report or disclose all components of the liability for future policy benefits with a description of each amount and an explanation of its projected use and any other potential uses.</u> (SFFAS 5.121)		
11	The following are minimum general PP&E disclosure requirements: (1) the cost, associated accumulated depreciation, and book value by major class; (2) the estimated useful lives for each major class; (3) the method(s) of depreciation for each major class; (4) capitalization threshold(s) including any changes in threshold(s) during the period; and, (5) restrictions on the use or convertibility of general PP&E. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S government-wide financial statements for these activities.</u> (SFFAS 6.45)	22, 27, 28 and 29	The CFR should provide: (1) a broad description of PP&E; (2) the cost, associated accumulated depreciation, and book value by major class; and, (3) a general reference to agency reports that disclose significant detailed information about PP&E. In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.
11	At a minimum, the following required supplementary information shall be presented for all PP&E: identification of each major class of asset for which maintenance has been deferred and the method of measuring deferred maintenance for each major class of PP&E. If the condition assessment survey method of measuring deferred maintenance is used, the following should be presented for each major class of PP&E: (1) description of requirements or standards for acceptable operating	23, 27, 28 and 29	The CFR should provide: (1) a broad description of deferred maintenance; (2) amounts for each major asset category (i.e., general property, plant, and equipment, heritage assets, and stewardship land) for which maintenance has been deferred; (3) a general reference to agency reports that report significant detailed information about deferred maintenance; and, (4) optional reporting of the stratification between critical and

<p>condition; (2) any changes in the condition requirements or standards; and, (3) asset condition and a range estimate of the dollar amount of maintenance needed to return it to its acceptable operating condition. If the total life-cycle cost method is used, the following should be presented for each major class of PP&E: (1) the original date of maintenance forecast and explanation for any changes to the forecast; (2) prior year balance of cumulative deferred maintenance amount; (3) the dollar amount of maintenance that was defined by professionals who designed, built, or manage (sic) the PP&E as required maintenance for the period; (4) the dollar amount of maintenance actually performed during the period; (5) the difference between forecast and actual maintenance; (6) any adjustments to scheduled amounts deemed necessary by PP&E managers; and, (7) the ending cumulative balance for the period for each major class of asset experiencing deferred maintenance. <u>The above listed required supplementary information is not applicable to the U.S. government-wide financial statements. SFFAS XX provides for required supplementary information applicable to the U.S government-wide financial statements for these activities.</u> (SFFAS 6.83)</p> <p>Optional RSI reporting – Stratification between critical and non-critical amounts of maintenance needed to return each major class of asset category to its acceptable operating condition. If management elects to report critical and non-critical amounts, the report shall include management’s definition of these categories. <u>The U.S. government-wide financial statements need not separately report stratification between critical and non-critical amounts of maintenance needed to return each major</u></p>	<p>non-critical amounts of maintenance needed to return each major asset category to its acceptable operating condition.</p> <p>In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.</p>
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	<u>class of asset to its acceptable operating condition as well as management's definition of these categories. SFFAS XX provides for optional information applicable to the U.S. government-wide financial statements for these activities. (SFFAS 6.84)</u>		
11	<p>Disclosures of: The sources (applicable laws and regulations) of cleanup requirements. <u>The U.S. government-wide financial statements need not disclose the sources of cleanup requirements.</u> (SFFAS 6.107)</p> <p>The method for assigning estimated cleanup cost to current operating periods (e.g., physical capacity versus passage of time). <u>The U.S. government-wide financial statements need not disclose the method for assigning estimated cleanup costs to current operating periods.</u> (SFFAS 6.108)</p> <p>For cleanup costs associated with general PP&E, the unrecognized portion of estimated total cleanup costs (e.g., the estimated total cleanup costs less the cumulative amounts charged to expense at the balance sheet date). <u>SFFAS XX provides for disclosure requirements for the U.S. government-wide financial statements regarding the unrecognized portion of estimated total cleanup cost associated with general PP&E.</u> (SFFAS 6.109)</p> <p>Material changes in total estimated cleanup costs due to changes in laws, technology, or plans and the portion of the change relating to prior periods. <u>The U.S. government-wide financial statements need not disclose material changes in total estimated cleanup costs due to changes</u></p>	24, 27, 28 and 29	<p>The CFR should provide: (1) a broad description of cleanup cost; (2) the unrecognized portion of estimated total cleanup costs associated with general PP&E; and, (3) a general reference to agency reports that disclose significant detailed information about cleanup cost.</p> <p>In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.</p>

	<p><u>in laws, technology, plans, or the portion of the change in estimate that relates to prior period operations. (SFFAS 6.110)</u></p> <p>The nature of estimates and information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations. <u>The U.S. government-wide financial statements need not disclose the nature of estimates and information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations. (SFFAS 6.111)</u></p>		
12	<p>Exchange revenue should be recognized in determining the net cost of operations of the reporting entity during the period. The exchange revenue should be recognized regardless of whether the entity retains the revenue for its own use or transfers it to other entities. Gross and net cost should be calculated as appropriate to determine the cost of outputs and the total net cost of operations of the reporting entity. The components of the net cost calculation should separately include the gross cost of providing goods or services that earned exchange revenue, less the exchange revenue earned, and the resulting difference. The components of net cost should also include separately the gross cost of providing goods, services, benefit payments, or grants that did not earn exchange revenue. <u>The U.S. government-wide financial statements need not break-out gross costs of providing goods, services, benefit payments, or grants that did not earn exchange revenue, separately from those programs that earned exchange revenue. (SFFAS 7.43)</u></p>		No CFR reporting would be required.
12	Each reporting entity that provides goods or services to		No CFR disclosure would be required.

	the public or another Government entity should disclose the following: (1) differences in pricing policy from the full cost or marketing pricing guidance for exchange transactions with the public as set forth in OMB Circular No. A-25, User Charges (July 8, 1993) or in subsequent amendments in circulars that set forth pricing guidance; (2) exchange transactions with the public in which prices are set by law or executive order and are not based on full cost or on market price; (3) the nature of intra-governmental exchange transactions in which the entity provides goods or services at a price less than the full cost or does not charge a price at all, for disparities between the billing (if any) and full cost; and, (4) the full amount of the expected loss when specific goods are made to order under a contract, or specific services are produced to order under a contract and a loss on the contract is probable (more likely than not) and measurable (reasonably estimable). <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements.</u> (SFFAS 7.46)		
12	Disclosure of factors affecting collectibility and timing of categories of accounts (taxes) receivable and amounts involved. <u>The U.S. government-wide financial statements need not disclose factors affecting collectibility and timing of categories of accounts receivable and the amounts involved.</u> (SFFAS 7.65.1)		No CFR disclosure would be required.
	Disclosure of cumulative cash collections and refunds by tax year and type of tax. Cash collections and refunds by tax year and type of tax should include cash collections and cash refunds for the reporting period and for sufficient prior periods to illustrate (1) the historical timing of tax	25	The CFR should disclose cumulative cash collections and refunds by tax year and type of tax for the reporting periods.

	collections and refunds, and (2) any material trends in collection and refund patterns. Sufficient prior periods for each type of tax are the periods which end when the statutory period for collection ends. Collecting entities may shorten these periods if evidence for prior tax years indicates that a shorter period would reflect at least 99 percent of the collectible taxes. <u>The U.S. government-wide financial statements need not disclose cumulative cash collections and refunds by tax year and type of tax for the reporting period and for sufficient prior periods to illustrate (1) the historical timing of tax collections and refunds, and (2) any material trends in collection and refund patterns. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements.</u> (SFFAS 7.65.3)		
13	The disclosures required by SFFAS No. 6, paragraph 45, for general PP&E are applicable to general PP&E software. Thus, for material amounts, the following should be disclosed in the financial statements regarding the software: (1) the cost, associated amortization, and book value; (2) the estimated useful life for each major class of software; and (3) the method(s) of amortization. <u>The above listed disclosure requirements are not applicable to the U.S. government-wide financial statements. SFFAS XX provides for disclosures applicable to the U.S. government-wide financial statements for these activities.</u> (SFFAS 10.35)	22, 27, 28 and 29	<p>The CFR should provide: (1) the cost, associated accumulated depreciation, and book value; and, (2) a general reference to agency reports that disclose significant detailed information about PP&E.</p> <p>In addition, the CFR should disclose significant accounting principles used and the methods of applying those principles.</p>

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Appendix C: List of Abbreviations

CFR	Consolidated Financial Report of the United States Government
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FMS	Financial Management Service (Treasury)
FY	Fiscal Year
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
SFAS	Statement of Financial Accounting Standards
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

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